



Technical Analysis

20 October 2004

POINTS OF VIEW
MORNING ANALYSIS

INDEX		Major Supports	First supports	PRICE	Change	First resistances	Major Resistances
AEX	LT	265-288/93-305	<u>318/321.50</u> – 325	326.6	-1.3	333/335- <u>337</u>	343 - 370/74
BEL20	LT	2335 - 2440	<u>2637</u> – 2695 - 2731	2753	+9	2745/65 - <u>2810</u>	2860- 2900/10
CAC40	LT	3110/90 - 3285	<u>3580/3635</u>	3660	-11	3715/3745- <u>3750</u>	3835 - 3915
DOW JONES	LT	9100 - 9485	9770/85 – <u>9850/60</u>	9956	+23	10006/30- <u>10127</u>	10185/363
EURO STOXX50	LT	2280/2380-2670	<u>2713</u> – 2740/65	2769	-5	2800/20 - <u>2830</u>	2950 - 3015

LT = LONG-TERM ANALYSIS

General comment

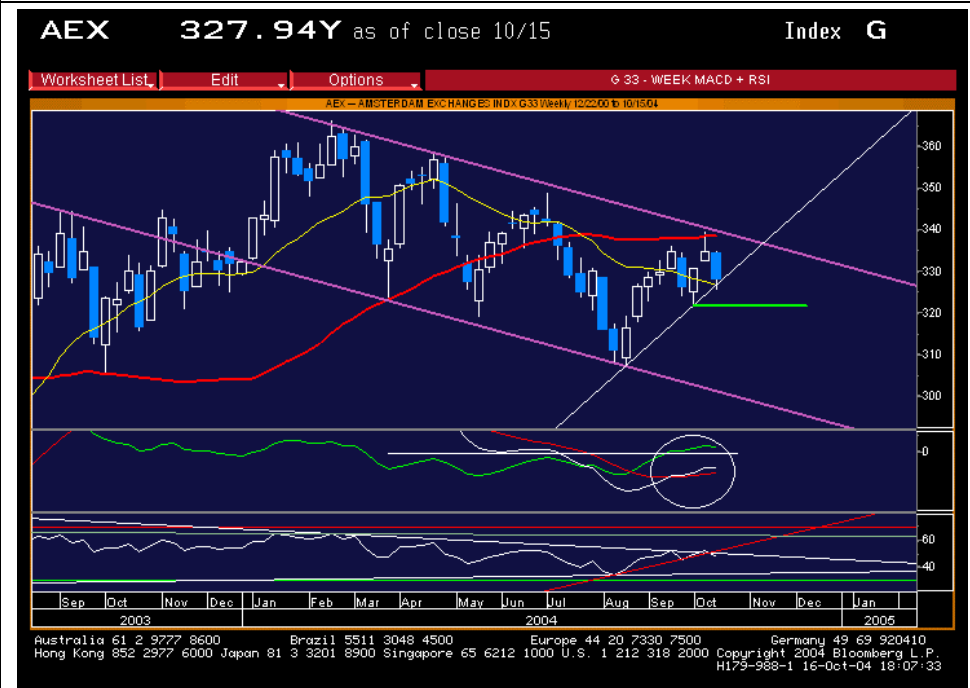
With improving European weekly technical indicators, we could see European markets move 10-15% higher over the next months. Yesterday's rally was blocked though and the inverted hammers on several European charts do not inspire to buy today. It seems at least another leg down towards underlined supports is on its way. As you have heard here before, they must hold to keep the bullish scenario alive. Because, alternatively, it is still possible the move up from the middle of August is part of a larger corrective pattern. If this is the case, then the bears will have to prove themselves soon. With a sustained break below underlined supports, we will have had false trend channel breaks in several indices, and it would mean the bear market has resumed.

I have shown this before, but think it is useful to repeat: the Utility sector remains a favourite of many investors, in [Europe](#) and the [US](#).

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Monthly chart

Weekly chart



The long-term trend of the Aex index is down, with major resistances located at 356/370 and 380/97 thereafter. Quarterly indicators have a VERY negative bias and confirm the index is in a bear market, which still has a long way to go; the head-and-shoulders pattern on the monthly chart and the loss of momentum on the weekly chart above confirms this view. Longer-term, supports/targets are 170/5, 121 and 50/75.

There is an improvement on the weekly technical indicators, which may suggest the market considers another rally attempt. Renewed strength above 339.39 over the next weeks indicates new highs in the rally from March 2003 closer to 380. Only sustained weakness now below 318 indicates the bear is back. Next supports are then 288/93 and 265/75.

[AEX SHORT-TERM](#)

[TOP](#)

Daily chart

Hourly chart



SUPPORT

328.50

325.62

319/321.50

307.31

288/93

265/73

Yesterday, the index rallied above 328.50 (now support) but reversed in the afternoon with an inverted hammer candlestick (circle). Above 328.50, the trend is up; a decline under that level indicates all moves of the last three days were part of a correction and further weakness would be seen to the 318/321.50 area. The downtrend pattern of lower highs and lower lows on the daily chart is still intact but the upside may get pressured over the next weeks as weekly technical indicators improved. Renewed strength above 337 and then 339.35 indicates the next move up is on its way. There is still a chance that the rally from mid August is part of a correction and the bear market will resume immediately below 307; a decline below 318 would confirm.

RESISTANCE

333/334.50

339

339.35

343.50

370/390

[AEX LONG-TERM](#)

[TOP](#)

Monthly chart

Weekly chart



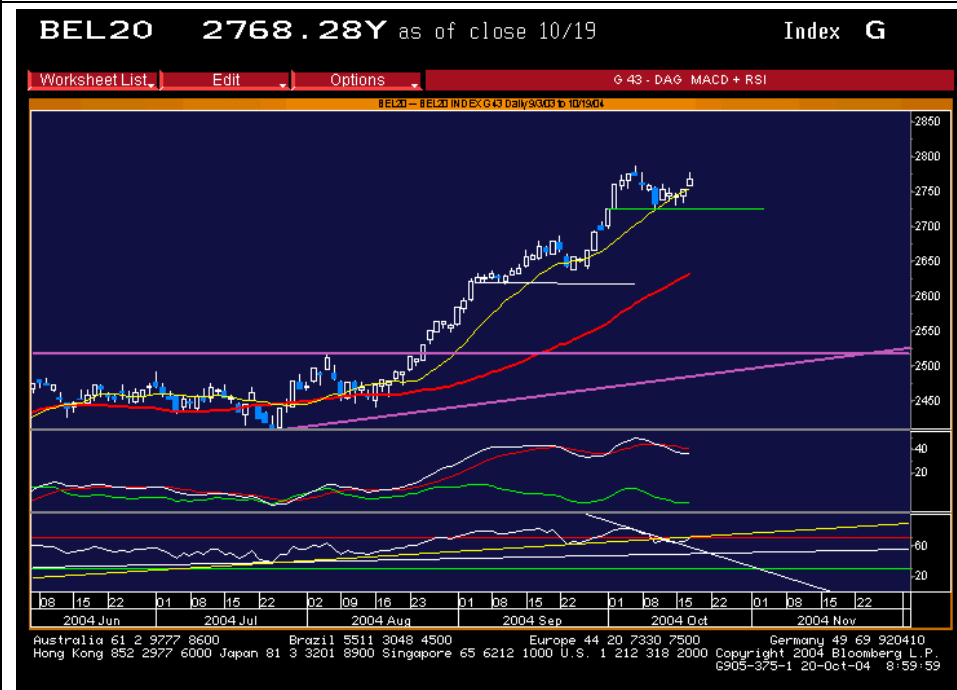
The long-term trend of the Bel20 is down with weekly major resistance located at 2900/10. The fact is that quarterly indicators remain VERY negative. So, the longer-term bearish potential must not be underestimated in price and time. Over the next two years the index will decline further to levels under 1425, the March 2003 low, in the direction of 1233 and 1038 [low of 1992]. The index broke out of a triangle pattern (between purple lines on weekly chart) and reached the initial target area 2680/2720. There is room for an extension towards 2860/2910, which includes the 61.8% retracement level of the decline from 1999. The Elliot Wave theory and practical application is very clear: a triangle (between purple lines) is the 4th wave of a rally and, once the fifth wave is finished, prices will reverse towards the middle of the triangle pattern and probably lower. However, note that a negative divergence starts forming on the weekly chart. Key support is 2540.

[BEL20 SHORT-TERM](#)

[TOP](#)

Daily chart

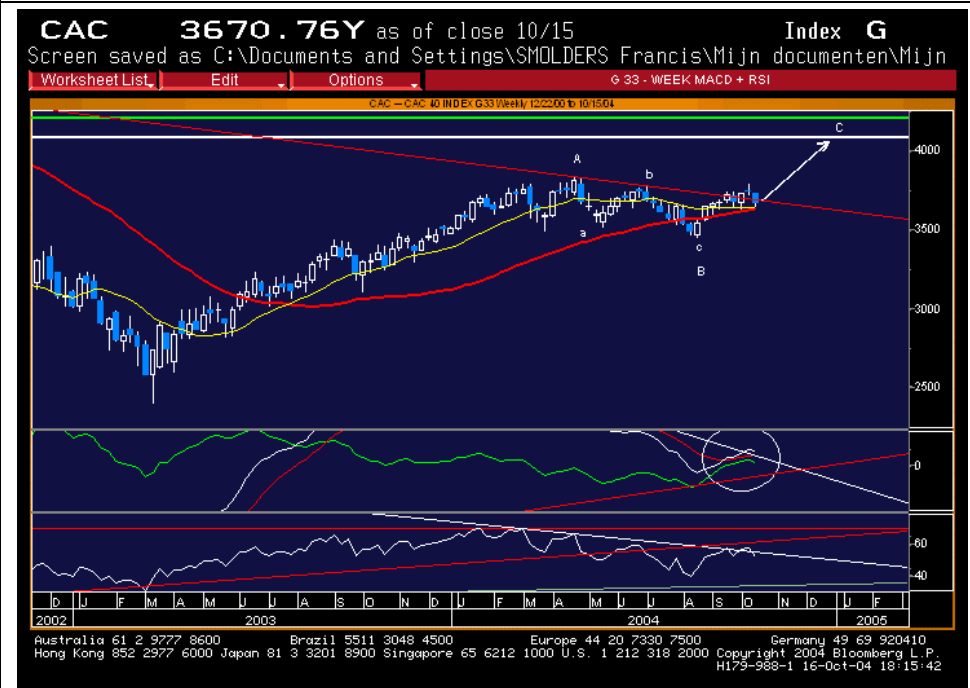
Hourly chart



SUPPORT	<p>The short-term trend turned up but seems to be in trouble. This morning, we saw an overlap with initial support 2759. Keep an eye now on <u>2731</u>; this level must hold to see further gains towards <u>2795/2820</u> or even <u>2840</u>. Weakness below <u>2731</u> is bearish and suggests a medium-term top was set and a larger decline will be seen in the direction of <u>2592/40</u> area. The rally from July is a thrust out of a triangle pattern (a fifth and final wave). As long as the index does not drop below <u>2595</u>, the current rally may extend after a pullback. Once the rally finishes, the index will decline back towards <u>2440</u>, at least.</p>	RESISTANCE
2730		2755
2713		2765
2695		2780
2640		2840
2592		2860
2440		2905
<u>BEL20 LONG-TERM</u>		<u>TOP</u>

Monthly chart

Weekly chart



Quarterly indicators have a strong negative bias. The long-trend is down and will remain so unless the rate can break above [3830/3870] major resistance. The fact is that quarterly indicators remain VERY negative. So, the longer-term bearish potential must not be underestimated in price and time. The head-and-shoulders pattern on the monthly chart remains in force. Over the next two years the index will decline further to levels under 2401, the March 2003 low, in the direction of 1940 and 1713, structural supports on the quarterly chart.

There is an improvement on the weekly technical indicators, which may suggest the market considers another rally attempt. Renewed strength above 3787.39 over the next weeks indicates new highs in the rally from March 2003 closer to 3900 or 4170. Only sustained weakness now below 3635 indicates the bear is back. Next supports are then 3285 and 3110.

[CAC40 SHORT-TERM](#)

[TOP](#)

Daily chart

Hourly chart



SUPPORT	<p>The index rallied above <u>3685</u> (now support) but reversed in the afternoon with an inverted hammer candlestick (circle). Above <u>3685</u>, the trend is up; a decline under that level indicates all moves of the last three days were part of a correction and further weakness would be seen to the <u>3580/3635</u> area. The downtrend pattern of lower highs and lower lows on the daily chart is still intact but the upside may get pressured over the next weeks as weekly technical indicators improved. Renewed strength above <u>3750</u> and subsequently <u>3779</u> indicates the next move up is on its way. There is still a chance that the current up move is part of a correction and the bear market will resume immediately below <u>3452</u>; a decline below <u>3580</u> would confirm.</p>	RESISTANCE
3635		3685/3715
3580		3730/50
3452		3779
3285		3831/56
3110		3900
CAC40 LONG-TERM		TOP

Monthly chart

Weekly chart



The long-term trend of the Dow Jones is down with major resistance located at 10750/11200. The trend is down since the February 10753.63 high in a series of lower highs and lower lows and shows very strong resistance now located around 10400 (trend line with 4 points). The rally from the August low has taken place with low volume and weak momentum and the index has reached trend line resistances on the weekly chart. Last weeks decline was anything but bullish and it looks like the next leg down in the direction of 9085/9500 has started (thick green line on weekly chart). We need to see a sustained drop below 10000 to confirm.

From a longer-term perspective, look for a test of the 6200/6350 area (at least) before this bear market finds an intermediate bottom, somewhere in 2006.

[DOW JONES SHORT-TERM](#)

[TOP](#)

Daily chart

Hourly chart



SUPPORT	The index never got past the post, interim resistance <u>10006/30</u> , and resumed the decline.	RESISTANCE
9850/60	Weakness below 9850 now points to next supports, <u>9770/85</u> (includes the August low) and <u>9650</u> . Keep in mind that the larger trend is down and levels closer to <u>9385/9500</u> will probably be seen in the next couple of months.	9970/10000
9770/85		10115/40
9650		10185
9475		10300/10
9300/60		10363
9085		10700

[DOW JONES LONG-TERM](#)

[TOP](#)

Monthly chart

Weekly chart



Quarterly indicators have a strong negative bias. The long-trend is down and will remain so unless the rate can break above [2970/3150] major resistance. The fact is that quarterly indicators remain VERY negative. So, the longer-term bearish potential must not be underestimated in price and time. The head-and-shoulders pattern on the monthly chart remains in force. Over the next two years the index will likely decline further to levels under 1847, the March 2003 low, in the direction of 1563 and 1268, structural supports on the quarterly chart.

There is an improvement on the weekly technical indicators, which may suggest the market considers another rally attempt. Renewed strength above 2849.56 over the next weeks indicates new highs in the rally from March 2003 closer to 2965 or 3150. Sustained weakness now below 2713.76 indicates the bear is back. Next supports are then 2365/2400 and 2195.

[EURO STOXX50 SHORT-TERM](#)

[TOP](#)

Daily chart

Hourly chart



SUPPORT	<p>Yesterday, the index rallied above <u>2790</u> (now support) but reversed in the afternoon. Above <u>2790</u>, the trend is up; a decline under that level indicates all moves of the last three days were part of a correction and further weakness would be seen to the <u>2650/2713</u> area. The downtrend pattern of lower highs and lower lows on the daily chart is still intact but the upside may get pressured over the next weeks as weekly technical indicators improved. Renewed strength above <u>2830</u> and subsequently <u>2850</u> indicates the next move up is on its way.</p> <p>There is still a chance that the current up move is part of a correction and the bear market will resume immediately below <u>2560</u>; a decline below <u>2650</u> would confirm this possibility.</p>	RESISTANCE
2740/45		2790
2713.76/20		2810/20
2650/5		2850
2540		2890
2360/2400		2965
2275	3150	

[EURO STOXX50 LONG-TERM](#)

[TOP](#)

SX6E 280.12Y as of close 10/19

Index G

Worksheet List

Edit

Options

G 23 - MAAND MACD/RSI

SX6E - DJES Util € Pr G23 Monthly 12/31/91 to 10/20/04



Australia	61	2	9777	8600	Brazil	5511	3048	4500	Europe	44	20	7330	7500	Germany	49	69	920410
Hong Kong	852	2977	6000	Japan	81	3	3201	8900	Singapore	65	6212	1000	U.S.	1	212	318	2000

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The index is now trading firmly above the moving averages. Technical indicators suggest this can continue for another while; strength above 285 (first resistance) would see further advance towards levels around 310, the 61.8% retracement level of the three-year decline.

UTIL 299.75Y as of close 10/19
Vol 22,022,500y

Index G

Worksheet List Edit Options G 23 - MAAND MACD/RSI

UTIL - DOW JONES UTILITIES AVG G23 Monthly 11/30/50 to 10/2004



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2004 Bloomberg L.P.
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The same story on this chart; strong uptrend and it is not over if you look at the technical indicators. Next resistance is 310.

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